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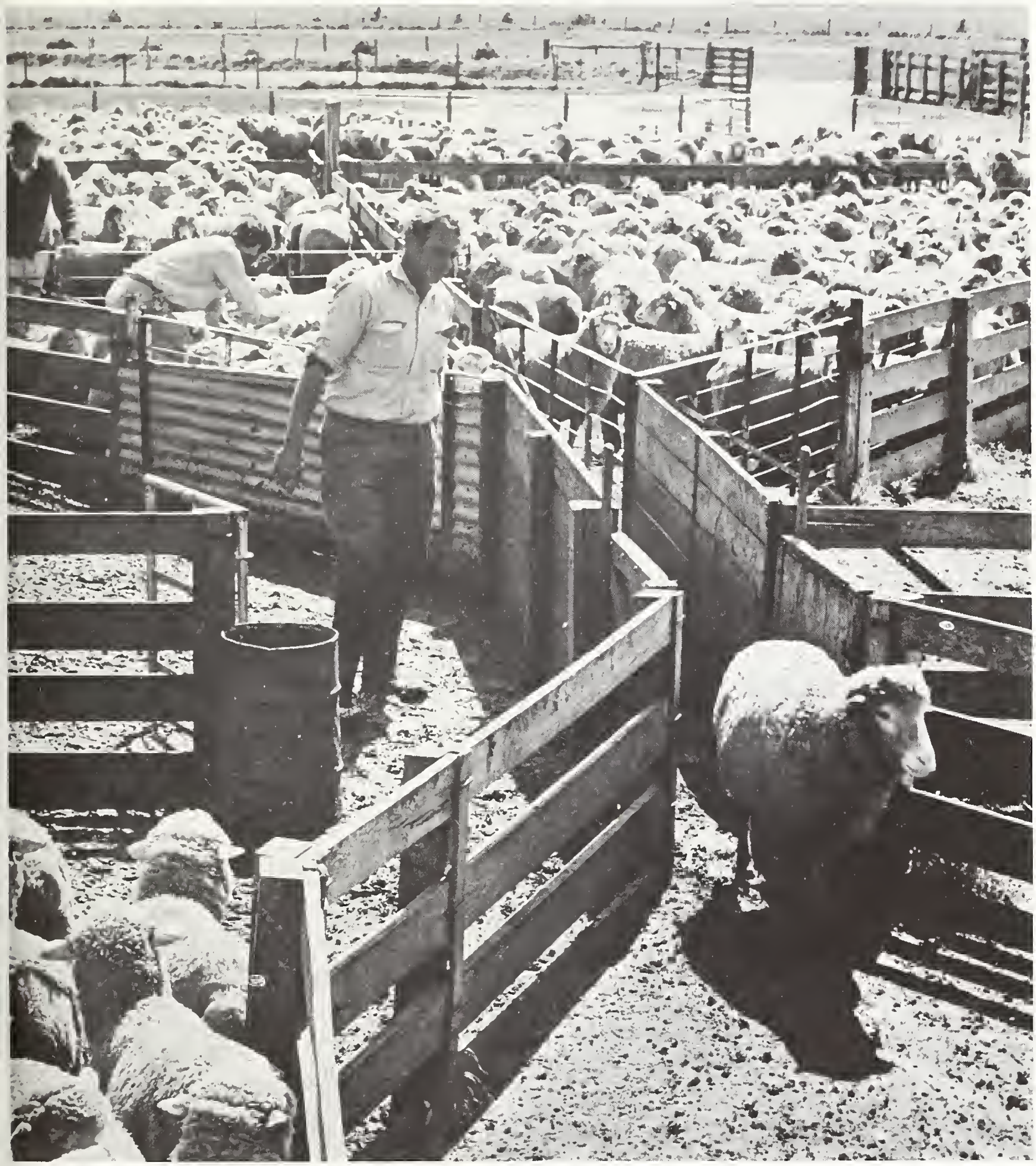

Sheep pens, Australia.

Switzerland's Farm Policy

Australian Livestock Industry

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE

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Sheep in the Esperance region of Australia. Problems in this and other sectors of Australia's important livestock industry are discussed on page 6.

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Swiss Agricultural Policy—An Economic Juggling Act

By FRANK W. EHMAN
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THE SWISS GOVERNMENT has evolved a program that provides the country's farmers with a more-than-adequate living. But the program depends largely on centrally controlled policies, on domestic production subsidies that boost internal food prices, and on international practices that restrict trade with other countries. To keep all these "balls" in the air at once requires the skill of a vaudeville juggler.

Switzerland's basic Agricultural Act of 1951. which serves as a guide for agricultural policies. spells out its aim in the preamble: "To maintain a viable rural population and a productive agriculture. able to provide the country with agricultural products, while taking into account the interests of the national economy." So far. the goals of the statute have been successfully met.

However, measures employed to accomplish these objectives have been costly and complicated. They include price supports, subsidies, and import restrictions. Because agriculture is so clearly important to the national security, these measures have been generally accepted domestically. But recent trends toward increasingly higher consumer prices and mounting disposal problems for some commodities are generating criticism at home and abroad.

Because of Switzerland's agricultural incentives, production of and returns from most of its commodities are high. Total agricultural production, estimated at $2.12 billion in 1974,[1] represented an increase of $124.7 million or 6.25 percent over the 1973 total, and compares with $949-million average for 1956-60. Value was indexed at 486 for the year,[2] Compared with 457 in 1973 and 352 in 1970. Of total returns. about 78 percent came from livestock and livestock products.

In terms of volume, Switzerland's

[1] Based on the 1974 average exchange rate of SwF2.95=US$1. [2] The index for 1939=100. [3] All tons are metric.

Swiss Policies Influenced by Topography

Switzerland's physical features, its size and location. and its dependence on imports for many of its food requirements—and on exports to pay for these commodities—all contribute to the fashioning of its agricultural policies.

Encompassing only 15,943 square miles—about one-third the area of New York State—Switzerland has but 2.7 million acres of cultivable land. The rest consists of mountains, forests. and permanent meadows, with about one third of the farmland being alpine.

Swiss farms are small both in number and size. According to the latest census (1969). the country had only 149,000 farms, averaging 18.75 acres. Of these. two-thirds were 25 acres or smaller. Only 12 farms measured over 50 acres. Although the trend is to fewer but larger farms, Switzerland's agriculture is at present based on small, family-type, intensively operated units.

Since Switzerland is able to produce only about half of its food requirements, memories of World War II shortages remain fresh.

Additionally, Switzerland lacks many important raw materials that it must import, since 70 percent of the national income depends on exports, many incorporating these materials.

Hence, Switzerland is dependent on trade with the outside world, while. at the same time, it remains extremely vulnerable to economic and political conditions beyond its borders and over which it has little or no control.

total grain production was estimated at 815,000 tons[3] in 1974. This was up 49,000 tons or 6.4 percent over 1973 production and compares with only 632,000 tons in 1970. Acreage and output were almost equally divided between foodgrains (wheat and rye) and feedgrains (corn, barley, and oats). National crop-yield averages ran high for the year with wheat at 64.5 bushels per acre, corn at 102, barley at 75, and oats at 110. Yields of other leading crops such as sugarbeets, potatoes, rapeseed, and fruits and vegetables were also good.

However, it is livestock and livestock products that provide the biggest share of Switzerland's farm income. On April 1, 1974, the Swiss census reported there were on the country's farms 1,972,500 head of cattle, 2,064,600 hogs, 358,700 sheep, and 48,000 horses. Total red meat production was estimated at 375,000 tons for the year (60.4 percent of it pork and 38.5 percent beef and veal). Production of milk, cheese, butter, poultry meat, and eggs also were high.

Ancestral home of the Simmental and Brown Swiss breeds, Switzerland has a cattle herd largely made up of dual-purpose cattle. Last year, 781,000 head of all kinds of cattle were slaughtered, producing 135,900 tons of beef and veal. For the producer, prices received for slaughter stock were close to the guide prices announced by the Government for the year. For grade A heifers and oxen the producer price per pound (carcass weight basis) was 80 U.S. cents; for cows, 73 cents; for bulls, 78 cents; and for veal calves, $1.23. Prices paid by butchers for grade A dressed meats closely followed the average per-pound guide prices for these products: Heifers and oxen, $1.56; cows, $1.43; and bulls, $1.45. These prices greatly exceeded world prices for similar animals and meats.

In the dairy sector, 900,400 milk cows produced 3,321,000 tons of milk in 1974. Of this amount, 800,000 tons were consumed as fluid milk, 430,000 tons were fed to calves, and 2,110,000 tons went into factories and were turned into an estimated 1,165,000 tons of cheese, 479,000 tons of butter, and 466,000 tons of other dairy products.

Last year's milk flow was the largest in recent years and came in response to strong producer incentives.

From above: Farmers' market in Bern, the Swiss capital. Onions are the featured item at the market on one day in November. Champion Simmental-Red Holstein cow on farm near Alps. U.S. Holstein semen is being imported to improve Swiss dairy herds. A rugged farm in Emmental Valley of central Switzerland, home of world famous Emmentaler cheese.

Switzerland sets a guaranteed base price for milk each year, and in 1974 it was 11.25 U.S. cents per pound. As a result of the profit that could be earned from milk, total production exceeded the quotas for which the prices applied by 55,000 tons. In 1973 the surplus was 87,000 tons, and in 1972 it was 73,000 tons.

Poultry meat outturn was 19,500 tons, and 725 million eggs were produced in Switzerland last year.

The key to these excellent Swiss outturns is high prices. For example, in grains, the high producer price brought an excellent income for most farmers. Last year, the average Swiss wheat yield, along with a guaranteed price of $8.14 per bushel for first-quality wheat, enabled farmers to gross $525 per acre. In the United States last year, a probable yield of 32 bushels of

wheat per acre and a selling price of $4 per bushel brought an average return of only $128 per acre.

Feedgrains likewise provided excellent incomes, aided by high subsidies. Taking corn as an example, the 1974 average yield of 102 bushels per acre and the guaranteed price of $5.61 per bushel, produced a gross of some $572 per acre.

In addition, the producer also got a cultivation premium (production subsidy) of nearly $102 per acre if he were located in the lowlands, $144 if in the pre-Alps, and about $165 if in the higher Alps. Under these conditions, and based on last year's average yields, Swiss corn producers earned the equivalent of more than $674 per acre in the lowlands, $715 in the pre-Alps, and $736 in the higher Alps.

To put this in perspective, a farmer growing 100 bushels of corn to the acre in Switzerland's lowlands would receive about $662, compared with around $350 for a U.S. Corn Belt farmer with the same acreage.

Through use of its high guaranteed prices and producer subsidies, Switzerland maintains a farm income that is comparable to that in other segments of the economy. While total food production is still only 45-50 percent of consumption, the rural sector—given its limited resources—is making a maximum contribution toward the country's economic security. Equally important are the protectionist measures used in trade matters that work hand-in-glove with internal farm programs.

Virtually every kind of import control known is used by Switzerland. Included are import licenses, quotas, supplementary import charges, import calendars, conditional import rules, and numerous other nontariff barriers. The reason cited by the Swiss for maintaining such trade obstacles is national security. In fact, when Switzerland acceded to the General Agreement on Tariffs and Trade (GATT), it demanded and received the right to maintain import restrictions on any product for which regulation is required by Swiss law. The Swiss view themselves as being in a special situation wherein import restrictions must be accepted as a price for the signing of bilateral and multinational agricultural agreements.

Feedgrains and feedstuffs are subject to global quotas plus supplementary import charges that change periodically in response to world market conditions and domestic pressures. They are also subject to licensing as are all commodities that carry surcharges or are under veterinary or phytosanitary control. The import calendar system applies to certain fresh fruits, vegetables, and cut flowers, while imports of many other items such as meat, poultry, eggs, and cheese are affected by duties and special domestic market conditions.

It is said that no country in the world imports as many agricultural products per person as Switzerland. In calendar 1974, Swiss agricultural imports totaled nearly an estimated $2.17 billion, an amount only slightly less that the country's production. Looming large among imported farm products were sugar, coffee, wheat, barley, corn, tobacco, cotton, meat, cocoa, wool, hides and skins, and oilseed meal. Also high on the list were oilseeds, rice, fur skins, fats and oils, as well as processed foods, fresh and dried fruits, plus an array of tropical fruit products.

The United States is the major supplier of most of these farm products and in fiscal 1974, U.S. exports to Switzerland soared to $186.4 million, some 41 percent greater than the $131.6 million of the previous year. U.S. wheat, rice, corn, and oat exports to Switzerland in fiscal 1974 totaled $26.8 million; tobacco (unmanufactured and smoking), $39.5 million; and green peanuts, $24.5 million. Other U.S. exports in that year were cotton, soybeans, oilseed cakes and meals, fur skins, and various categories of fruits and nuts, and fruit and vegetable juices, together totaling $70.7 million.

Almost like levers on a machine, agricultural policies are manipulated to achieve desired farm goals and to meet constantly changing conditions. Since milk is the main source of Swiss farm income, the dairy sector occupies much planning time and attention.

Each year, the country's highest legislative body—the Federal Council—announces the basic milk price, always at a higher level than the year before. At the same time, a national production quota is set with the basic guaranteed price applying only to milk deliveries up to that figure. Any amount over that level is subject to price penalties. Thus, the goal in this case is to assure sufficient milk supplies without creating a surplus.

To keep milk and beef output in balance, planners have developed policies to moderate the increase in milk production while enhancing beef outturn. Attractive guide prices were set for beef—averaging 85 U.S. cents per pound (carcass weight basis) for grade A animals in 1974—while other measures provide subsidies for culling and slaughtering dairy herds and for shifting from dairy to fattening programs. Furthermore, increased feedgrain production has been encouraged by measures providing special cultivation subsidies.

In similar manner, measures affecting foreign trade complement those taken on the domestic front. When larger imports of feedstuffs are required, the quota is increased and the duties cut. This also occurs during periods of high world prices, so as to keep feed input costs in line. The opposite is, of course, true when smaller imports are needed because of adequate supplies at home or low world prices. Several policy changes can be made within a year's time.

In 1974, such changes took a zigzag course. As the year began, Switzerland had abolished duty surcharges on all major feedgrains because of high prices. On July 1, it restored and increased these same charges, but, on November 1, they were reduced again, only to be sharply increased on January 1, 1975. Meanwhile, global quotas on all imported feedstuffs were reduced by 150,000 tons in 1974 and are expected to be cut by another 175,000 this year. This will slow the increase in milk and meat production and return the industry to a feeding base of more grass and roughage. Other administrative levers pulled in response to the buildup of excessive domestic supplies during 1974 included those that lowered meat imports, temporarily banned imports of butter, and raised the duty surcharge on cheese imports.

Import duties on feedstuffs are used to pay production subsidies for grain, while those on poultry and eggs subsidize these items on the domestic retail market. Importers of beef are required to purchase specified quantities of domestic slaughter cattle and importers of poultry agree to pay into a fund to subsidize the local industry.

In addition to being costly, high

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Greek Processing-Tomato Area and Output Climbing

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GREECE's area devoted to production of processing tomatoes—as well as the size of the tomato harvest and output of some tomato products—all increased in 1974, in some instances soaring by more than 50 percent.

Planted area last year for all tomatoes was up 14 percent from the previous year to nearly 95,000 acres, with 43,460 acres of this—51 percent more than in 1973—devoted to processing tomatoes.

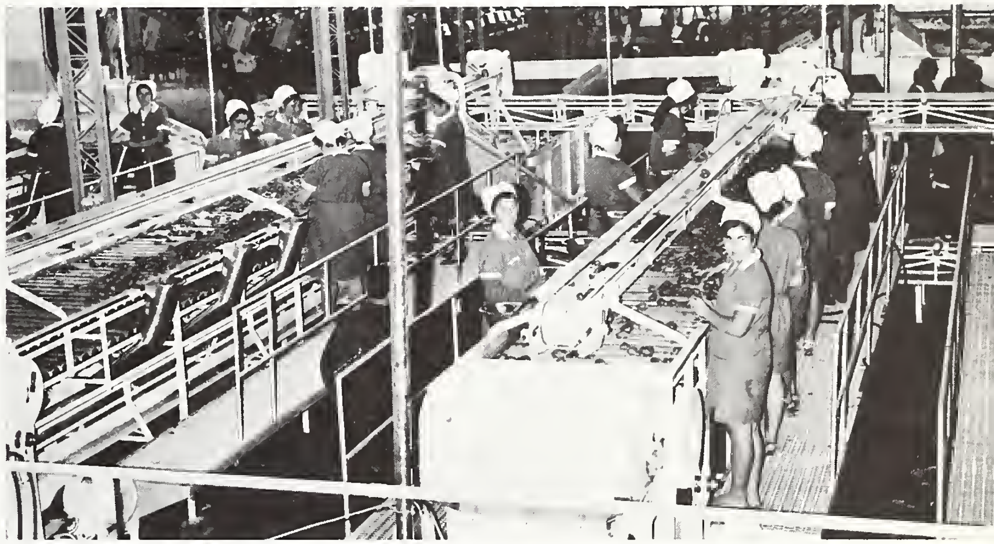
Total 1974 tomato output for processing, at 940,000 metric tons, was 55 percent greater than the previous year. This record harvest was attributed to the expanded acreage, a longer-than-usual harvest season due to favorable weather conditions, and yields of about 21.4 metric tons per acre, a jump of 5 percent from the 1974 level.

Also playing a role in the production increase were high tomato prices received by growers in 1973, including a sizable Government income support payment. Producer prices in 1974 rose sufficiently to offset high input costs such as labor and fuel.

A new production area has been opened at Messolóngion on the Gulf of Corinth. Although expansion has been small, it is anticipated this region may become an important Greek tomato production center if export or domestic tomato markets grow. Some farmers there have been encouraged to turn from other crops to tomatoes because of relatively higher income from tomato production, compared with other crops.

Lack of mechanization and small farm size have been until the present time only minor obstacles to Greece's tomato production growth. Output has been boosted by the use of low-wage hand labor during planting and harvesting and the absence of widespread labor problems. However, a changeover to machine procedures could come swiftly should it suddenly become more profitable to mechanize. The development of farm equipment for small farms would also hasten the switch.

Part of a new tomato paste processing plant in central Greece. Total Greek tomato paste output was 120,000 tons in 1974—34 percent greater than in 1973. (Photo: Greek Agricultural Bank.)



Family farms of about 2.5 acres are common in Greece and production costs on these are boosted by the relatively large labor requirements during the peak of the harvests. Unskilled labor at the farm and processing levels in 1974 received about US$10 daily, up by 21 percent from a year earlier, cutting into revenues that might be used for capital investments. The rent on producing land—most of which is rented—averaged about $114 per acre in 1974, 34 percent higher than the 1973 level.

TOMATO GROWERS are paid a Government-set minimum price. In 1974, the minimum was maintained at the equivalent of US$38 per metric ton, 77 percent higher than in 1973. In addition, in 1974—and in 1973—farmers received a direct income support payment from the Government of $8.25 per ton.

Hand in hand with production growth was a marked upward movement in the past decade and a half of the tomato industry's processing sector. About 48 percent of the total input processing capacity was constructed during the 1960's and, more recently, another 33 percent was installed during the 1970's. Average input capacity of the country's processing plants is about 15 metric tons per hour, a relatively low level compared with most California units.

The industry is dominated by a large number of small plants having a processing capacity of less than 20 metric tons, although plants of over 30 metric tons per hour play a more important production role, accounting for over 55 percent of total industry input capacity. Total input processing capacity for the industry is estimated at 600 metric tons of tomatoes an hour.

In 1974, output of canned whole tomatoes and paste (28-30 percent solids) was estimated at 19,000 and 129,000 metric tons, respectively, up from the 1973 level by 36 and 44 percent. Tomato juice production, up 11 percent form 1973, was reported at 11,000 metric tons. No subsidies are

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Australia's Lamb, Pork Prices Hold, Beef Outlook Is Bleak

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AUSTRALIA'S livestock industry, hard hit by depressed cattle and meat prices during 1974, is finding somewhat improved markets for lamb and pork in 1975, but the outlook for the beef sector of the industry continues to be bleak, and mutton prices are depressed because of lower prices for competing meats.

Beef producers are undergoing their most severe trials since the 1965 drought. In addition, beef processing and exporting companies are taking their lumps because of their purchases of animals in a declining market. Many Australian bankers and stock agents are carrying heavy debt loads, and some producers face the prospect of bankruptcy.

Pasture conditions are generally good, however, and could be a vital factor in bringing about orderly marketing in the coming months.

Because two major overseas beef markets—the European Community (EC) and Japan—still impose restrictions on imports, foreign demand for beef is unlikely to show much improvement in 1975, although some price gains are possible later in the year.

Cattle numbers, already high at about 34.5 million head, are increasing—reflecting both a natural increase as well as withholding from market because of low prices.

A normal beef slaughter rate in 1975 would yield an output in excess of 1.8 million metric tons (carcass weight equivalent) but actual production is unlikely to be that high because of the limited market situation. Exports in 1975 are estimated at 450,000 tons, product weight, up substantially from those of 1974. The large sale to the USSR of 40,000 tons of beef was important in keeping export trade moving, and another bright spot is the expected sharp increase in domestic consumption. Because of low Australian retail beef prices, consumers are expected to take home about 800,000 tons (carcass weight basis) in 1975, compared with about 700,000 tons in 1974.

The outlook for beef exports is mixed: Volume will be higher, but prices are expected to remain low. Japan probably will once again permit imports, but is not expected to authorize the level of imports taken in 1973.

The United States is expected to take more Australian beef in 1975, even though import restraints have been agreed upon. Sales prospects in the USSR, Eastern Europe, and the Mideast are favorable, but the outlook for exports to the EC is not good.

The current outlook for sheep is somewhat better than for beef, as a result of the guaranteed floor price for wool of about US$1.43 per pound, 21 micron. At this price, wool is more valuable than live sheep. A strong increase in sheep numbers is expected in 1975.

Mutton production in 1975 is estimated at 255,000 metric tons, up about 20 percent from the very low output of 1974. The export outlook is depressed, however, and prices are expected to remain low on world markets.

High processing and shipping costs for mutton, as well as strong competition from low-priced beef, will keep farm prices for mutton at a low level in 1975. Exports during 1975 are forecast at 75,000 tons (product weight), up 15 percent from those of 1974. Returns will be lower because of reduced export prices.

Japan is still the most important market, but the Mideast is coming up fast and could surpass Japan as the leading market. The U.S. market for Australian mutton is expected to be small in 1975 because of an abundance of beef for manufacturing purposes.

Lamb slaughter in 1975 is expected to continue at the 1974 rate. Lamb prices held fairly good in 1974, and will likely continue at current levels or better during 1975. The strong demand for light lamb from the Mideast has been an important factor in maintaining prices.

The percentage of lamb available for export continues to fall. Exports as a percent of total production will be only about 7 percent in 1975, compared with 19 percent in the early 1970's.

Pork production is expected to decline to 165,000 tons in 1975, down from 190,000 tons in 1974. Hog numbers are estimated at 2.15 million head, down 13.3 percent from the year earlier level, and sow numbers are down by the same percentage. Pork, currently the glamour meat in an otherwise depressed meat market, is expected to maintain a strong price level during 1975. Exports of pork were negligible in 1974.

ALTHOUGH Australia remains confident that the long-term outlook for its beef is good, it is also concerned over the possibility that a heavily export-oriented industry could be subject to wide fluctuations in the future.

No strong upturn in the export market is expected before 1976 and possibly even longer, depending on the economic recovery in major buying countries.

Australia believes it will be in a strong competitive position in the long run, as its industry is based on a grass- and forage-fed operation. The biggest concerns are soaring processing and freight charges, which are representing growing shares of export prices.

Total meat exports in calendar 1974 were 453,963 tons, compared with 803,715 in 1973—a drop of 44 percent. The decline in exports is blamed on drastically lower prices and the closing of two major markets for beef—Japan and the EC.

Total Australian beef and veal exports were down to 339,702 tons (product weight) in calendar 1974, 43 percent below the total of the previous year. The share of total beef output going into exports in 1974 (carcass weight equivalent) was only 40 percent—well below the 60 percent level of 1973 and the long-term average of over 50 percent.

The largest beef export outlet in 1974 again was the United States, which took 241,590 tons or 71 percent of total export shipments. Japan was next, taking 26,450 tons, followed by Canada with 21,579 tons, and the United Kingdom, 19,799. The Japanese market was the bigger disappointment because its beef and veal takings from Australia fell from 115,419 tons in 1973.

Exports of mutton in calendar 1974

Above, kangaroos share pasture with cattle on this Australian farm. Left, a Kelpie sheepdog "backing" in the yards in the western district of Victoria, Australia. A backing dog is used to urge the sheep along in crowded pens. Australian mutton production is expected to be 20 percent higher in 1975 than in 1974 to 255,000 metric tons, and exports are forecast at 75,000 tons. The U.S. market for Australian mutton is expected to be small this year.

at 67,302 tons were down 39 percent from the level of a year earlier. The support price program for wool, along with low prices for mutton, has encouraged producers to withhold mutton ewes from the market, thus causing a sharp drop in supplies available for export.

The main outlet for mutton exports was Japan, which took 34,446 tons, followed by the Mideast, which took about 13,000 tons. Exports to the Mideast are expected to double in 1975. Exports to the United States fell sharply in 1974 to only 814 tons.

Exporters claim the boneless mutton market in the United States is no longer profitable, as processing costs have doubled in the past 4 years and shipping charges to the United States have increased 40 percent in the past year alone.

Live sheep exports to the Mideast continue to be very important. In 1974, 1.1 million head were exported. The outlook for 1975 is excellent, although labor unions continue to oppose export of live sheep, claiming it is costing Australia jobs.

Lamb exports continue to fall. In 1974, overseas shipments were down 12,072 tons to 14,126 tons. Supplies for export have been short. The Mideast emerged as the leading market for lamb in 1974, taking over 6,000 tons.

HAD NOT THE Mideast entered the lamb market and taken the quantities that were purchased, lamb prices probably would have declined by about one-third. Mideast consumers demand light lamb carcasses—which have less fat—weighing about 36 pounds.

Exports of lamb to the United Kingdom in 1974 were down to 3,161 tons. The United States took 2,162 tons in 1974—about the same amount as the year earlier. Canada was the next most important outlet, taking 1,411 tons.

Pork exports fell sharply in 1974 to 1,619 tons from the 17,167 tons exported the previous year. The only important markets were the nearby Pacific Islands and New Guinea. Short supplies and high prices were the reasons for the sharp decline.

Offal exports also were down in 1974—to 31,214 tons, compared with 51,303 tons in 1973. The United Kingdom continued to be the major outlet, taking 11,124 tons, followed by Japan with 5,242 tons.

Consumption of beef and veal increased sharply in response to lower retail prices. During July-November 1974, beef and veal consumption was up 50 percent over the same period a year earlier. Consumption during calendar 1974 is estimated at about 700,000 tons.

With good prospects for low retail beef prices during all of 1975, consumption is estimated to expand to about 800,000 tons—an increase of nearly 15 percent. If the current rate of consumption holds, per capita beef and veal consumption may go over 130 pounds—the highest since before World War II.

The Australian Government has requested that the Department of Agriculture and the Treasury formulate proposals that could assist the beef industry through the current crisis as well as provide greater stability in the long term. There is considerable concern over the possibility of a severe weaken-

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Venezuela To Expand Farm Output

By JAMES W. WILLIS
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VENEZUELA IS using its accumulating oil revenue, mounting at the rate of almost $9 billion annually, to breathe life into its agriculture and eventually reduce its need for farm imports. The latter goal, however, will be hindered by rapid growth in Venezuelan demand, plus limits on production possibilities. Meanwhile, Venezuela will continue to rank as one of the United States leading Latin American farm markets—next to Mexico, the second largest last year.

Aware of the need for a viable agriculture at a time when other sectors of the economy are expanding rapidly, the Venezuelan Government has programmed massive amounts for agricultural development in an initial 1975 budget of over $600 million. It has also substantially increased subsidies to producers and upped the number of commodities receiving support payments to 17 in 1974 from 7 in 1973.

Venezuela feels that these programs will lay the groundwork for its future industrialization plans, while helping cope with the rapid urban population growth—an emigration unmatched in the Western Hemisphere. In addition, agricultural programs have less inflation-stimulating impact on the economy than other development projects—important to this nation where wholesale prices climbed by 20 percent in 1974 compared with 11 percent the year before.

Furthermore, even though agricultural output has been expanding recently—rising 6 percent last year compared to only 3 percent in 1973—it has not kept pace with economic growth in other sectors. For example, the manufacturing sector grew at an annual rate of 9.3 percent in 1974; commerce, 8.8 percent; finance, 9.0 percent; and other services, 8.2 percent.

Of course, expansion in all areas of the Venezuelan economy is being made possible by the rapid growth in foreign exchange earnings from oil and other raw materials. These larger earnings allowed a 169 percent gain in the country's foreign exchange reserves last year—to $6,529 million—as well as a further acceleration in economic development.

Meanwhile, over half of Venezuela's traditional crops—such as corn, beans, rice, coffee, and cacao—continue to be produced by small farmers, many of whom need increased Government assistance. Without such help, and because of nonremunerative prices for their products during most of the past 15 years, numerous peasant farmers and smaller producers have increasingly abandoned their lands or planted less than maximum levels. These actions have accelerated the flight from farm to city.

But probably the major factors behind the interest in agricultural development are Venezuela's current huge outlays for farm imports, estimated at about $550 million in 1974, and for consumer food and agricultural subsidies totaling about $100 million. These subsides are used to insulate the domestic market from abnormal fluctuations in world prices of basic agricultural imports.

Probably the most far-reaching program thus far developed to correct this situation is a $467.8 million credit program called the Agricultural Credit Fund (FONDO), for use in all areas of agriculture—crop, livestock, forestry, fishing, and agribusiness industries.

Only 4 percent of the funds available under this program were granted during 1974, but a much larger share was already expended during the first quarter of 1975. In fact, practically all lending institutions now receive 90 percent of the monies for their agricultural loans from the FONDO. (The amount of credit granted to farmers could be increased if necessary. Based on a 1970 Central Bank Law, Central Banks are required to lend 25 percent of their total credit funds to the agricultural community.)

In addition to the easier credit, greatly increased support prices, and crop development and research programs, Venezuela is moving to expand the availability of arable land. Three land recovery projects, encompassing 3.7 million acres close to Lake Maracaibo, are underway to harness the waters of nearby rivers and establish permanent crop and livestock production during both extremely wet and dry periods. As a result of these projects, Maracaibo is seen becoming an important center for processing farm products from surrounding areas. In addition, the vast cattle raising regions

Left to right, a coffee plantation in Venezuela; a cocoa nursery; inspecting corn, one of the crops being stressed in Venezuela's drive to increase farm output; and harvesting sesame, a target of heavy funding aimed at upping heretofore stagnant production. Vastly increased oil revenues are aiding this growth, but they are also boosting demand, keeping Venezuela in the market for U.S. farm products.

of the State of Apure are expected to support a large meat production, while the State of Zulia and the Delta Amacuro will become important crop and livestock regions.

WHILE THESE programs are obviously intended to increase Venezuela's agricultural self-sufficiency, they are not expected to have any immediate impact on imports of U.S. farm products. Last year, that trade amounted to $323 million versus $160 million the year before and a total trade last year of around $550 million. Imports of U.S. wheat alone totaled $124 million, followed by grain sorghum, $62 million; cottonseed, $30 million; soybean cake and meal, $20 million; soybeans, $15 million; other oilseeds, $12 million; and pulses, $8 million.

For wheat, the programs are expected to have little or no effect on output, which now is insignificant at around 700 to 800 metric tons a year compared with an annual consumption of around 700,000 tons. A high population growth alone—about 3.5 percent annually—will foster expansion in Venezuela's need for wheat imports, all of which should come from the United States during 1975.

For corn, Venezuela is attempting to greatly increase output, which since 1973 has been well below the 600,000 to 700,000 tons of the early 1970's. Toward this end, the Government has not only expanded credit to farmers but also waived import duties on all seed for planting, is reimbursing farmers for any increase in herbicide and pesticide prices from 1973 levels, and is selling fertilizers to farmers at low, subsidized prices.

A larger corn crop could feasibly reduce import requirements of corn for human and feed consumption. However, the total corn crop would have to double to meet domestic food and feed requirements—an unlikely development for the near future.

Meanwhile, the 480,000 tons of white corn produced in 1974-75 covered only about 60 percent of the country's white corn requirements. (White corn is used to prepare popular corn bread muffins called "arepas," brewer's flakes, and also animal feed.) As a result, Venezuela is expected to import about 230,000 tons of white corn from South Africa before the end of fiscal 1975, primarily for human consumption requirements.

As is the case with corn, Venezuela's ability to reduce its dependence on imports of grain sorghum, oilseeds and their products, and pulses hinges mainly on its development programs. Venezuela now produces only about 11 percent of its sorghum grain needs, 50 percent of its vegetable oil needs, and 30 percent of its oilseed meal requirements.

With the aim of increasing self-sufficiency in feedgrains, the Ministry of Agriculture and Livestock (MAC) in 1974-75 supervised the planting of nearly 50,000 acres of grain sorghum under an experimental program. The goal of this program alone is to plant over 170,000 acres in grain sorghum and expand production in western growing regions.

The MAC also recently refinanced a $32.7 million program aimed at boosting output of sesame. Production of this crop has not increased recently, and only through growth in cottonseed and peanut crops and soybean imports was Venezuela able to expand vegetable oil and protein byproduct output last year. Moreover, further growth in cotton and peanut production could be hindered by a lack of storage facilities and agricultural machinery.

PULSES represent a key area where Venezuela has been trying to achieve self-sufficiency for many years, but so far this has been an elusive goal. During 1974, a 9,000-ton increase in pulse output—with most of the gain in black beans—did allow Venezuela to reduce pulse imports by the same amount. But at the same time rising consumption requirements and changes in consumer tastes, including preferences

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Coffee Pact Possible, As Talks Begin

By KERRY E. REYNOLDS
Trade Operations Division
Foreign Agricultural Service

THE INTERNATIONAL Coffee Organization (ICO), which includes members from all major coffee producing and consuming countries, will meet in London June 24-July 11 to continue negotiations on a new International Coffee Agreement (ICA). Hard bargaining can be expected as producer and consumer members seek to write an agreement that they consider mutually beneficial. U.S. participation in a new ICA will depend on the specific compromises worked out in the negotiations and is subject to Congressional approval.

Chances for reaching an agreement were heightened by actions taken by the ICO's working group on negotiations. which met in London April 14-25. At these sessions, both producer and consumer countries clearly outlined the substantive measures they would like to see included in the new agreement. In general, exporting countries are interested in stabilizing their export earnings, while consumers would like to include measures to moderate the recent sharp swings in coffee prices.

Although discussions at the plenary sessions focused on general policy issues, specific proposals were submitted jointlv bv Brazil and Colombia, and a set of ideas was presented by the United States. Both the proposals and policy issues are being seriously studied as participating countries prepare for the June session.

Central to the new agreement are quota and price provisions, as was the case in the now-expired 1968 agreement.

Quotas, or shares of the market, are of particular concern to the producer countries, most of which rely heavily on coffee exports for their foreign exchange earnings.

Negotiation of price levels will be important to all ICO members and one of the most difficult issues to settle. The major producers, in particular, have proposed that the new price provision should reflect cost increases that have occurred since the 1962 and 1968 agreements. Consumer countries view these indexation factors as unrealistic.

Another technical issue to be discussed is the type of controls to be built into a new agreement.

These three issues—quotas, price levels, and controls—were all included in the 1962 and 1968 agreements, and are sure to be included in a new agreement. Thus, discussions will focus on working out specific details.

Four broader policy issues, however, which were discussed in London, have yet to be resolved by producers and consumers. The United States considers inclusion of the first two of these essential.

Flexibility. Some ICO members believe that the quota system set forth in the 1962 and 1968 agreements did not permit rapid adjustments to shifting production levels—caused by such factors as weather, pests, or government policies.

To deal with this problem, members are considering a system of fixed and variable quotas (a 4 to 1 ratio was used for purposes of discussion). The fixed quota, accounting for 80 percent of the total, would be allocated on traditional ICA lines—that is, historical export shares. The variable quotas would be adjusted to reflect relative changes in each member's verified exportable stocks at the end of each coffee year.

Producer reaction to this suggestion has been mixed thus far. Acceptance will ultimately depend upon whether the producers can agree among themselves that more flexible quotas would be useful.

Undershipments. To provide further supply assurances, the United States and other consumers have suggested that provisions dealing with undershipments be included. Thus, exporting members that could not meet their annual country quotas would be responsible for notifying the ICO, so that their shortfall could be redistributed. Any country that failed to declare a shortfall would be penalized by having an amount equal to its undershipment deducted from its annual quota in the following coffee year.

International Guarantee Stock (IGS). Another new coffee concept, contained in both the Brazil-Colombia proposal and the set of ideas submitted by the United States, is that a new agreement establish an IGS.

This stock, which could be built up to a level of perhaps 10 million bags, would be kept in reserve for those cases —generally periods of tight supply— when world coffee prices approach the upper limit of an agreed price range. At this point, the IGS could be released, in whole or part, in an attempt to discourage further price rises.

Hopefully, the use of the IGS or the threat of its use would solve the high market price problem before quotas were suspended entirely, with the consequent problem of reestablishing quotas. Both producer and consumer countries have shown some interest in the IGS concept, but they recognize that considerable technical analysis is needed before it becomes part of any new agreement.

Among the questions to be considered are: How the stock should be financed, who should administer the purchase

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COFFEE PRODUCTION, 1974-75 COFFEE YEAR

Country	1,000 bags	Percent of total
Production:		
Brazil	27,000	34.9
Colombia	8,500	11.0
Ivory Coast	4,000	5.2
Mexico	3,500	4.5
Uganda	3,100	4.0
Angola	3,000	3.9
Indonesia	2,800	3.6
El Salvador	2,650	3.4
Guatemala	2,200	2.8
Ethiopia	2,050	2.6
Others	18,609	24.0
Total	77,409	100.0

Source: *World Agricultural Production and Trade,* March 1975.

COFFEE EXPORTS FROM MAJOR SUPPLIERS, 1973 [1]

Country of destination	1,000 bags
United States	13,808
West Germany	2,919
Italy	2,503
France	2,173
Netherlands	1,706
Sweden	1,543
Spain	1,094
United Kingdom	975
Denmark	847
Finland	778
Others	7,289
Total	35,635

[1] Angola, Brazil, Colombia, Guatemala, Ivory Coast, Mexico. Source: Foreign Agriculture Circular, FCOF 1-75 January.

Easing Demand Prompted End To Voluntary Approval System

By JEAN B. NOLLMEYER
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IN THE FACE of waning demand for U.S. grains and oilseeds, USDA's voluntary export sales approval system was phased out on March 6, 1975, 6 months after its introduction in October 1974. Although short-lived, the program proved to be a useful alternative to the export controls threatened last fall when soaring foreign demand seemed as if it might outrun reduced exportable supplies of grains and oilseeds.

Under the system, which was part of USDA's overall export sales monitoring activities, U.S. exporters of grains, soybeans, and soybean meal were asked to make their large export sales contracts subject to USDA approval. Initially, the approval was sought for sales of 50,000 metric tons or more to a single destination in any one day, or 100,000 tons or more to a single destination in any one week. Exporters were also asked to request approval for switches from one country of destination to another when these quantities were involved.

Although U.S. exporters cooperated fully, the system was not without controversy. Critics—mainly individual farmers, farm organizations, and members of Congress from the Corn and Wheat Belts—contend it interfered with normal export trade and adversely affected market prices. Advocates—principally commodity exporters and Government officials concerned about maintaining U.S. overseas markets—believed it provided a desirable alternative to mandatory export controls. To better understand the system, its aims, accomplishments, and disadvantages, we need to go back to last summer and to the tight supply situation that led to its creation.

As fiscal 1974 came to a close, the only active agricultural export sales monitoring method in effect in USDA was the weekly reporting system. This had been administered since September 1973 by the Statistical Reporting Service under provisions of Section 812 of the Agriculture and Consumer Protection Act of 1973. (By early October 1974, responsibility for the weekly reporting system had shifted to FAS.)

Commodities covered in this reporting system include rice and cotton in addition to wheat, feedgrains, soybeans, vegetable oils, and oilseed meals. The weekly reports submitted by exporters —showing quantities of commodities remaining to be exported under sales made up to the end of a reporting period—provided a rough measurement of potential export demand against anticipated U.S. supplies.

"... By the summer of 1974, inclement weather was brewing up problems for the U.S. corn and soybean crops and thus for the export reporting system."

The system had been functioning without major problems since coming under USDA jurisdiction. But by the summer of 1974, inclement weather was brewing up problems for the U.S. corn and soybean crops and thus for the export reporting system.

During July 1974, the export sales reports began to reflect a tightening grain and oilseed supply. From the end of June to late July, reported 1974-75 export sales balances for wheat, feedgrains, soybeans, and soybean meal had risen a total of 57 percent. Fed by fears of possible product shortages and reimposition of export controls, these outstanding sales balances climbed another 57 percent by August 11.

Uncertainties deepened still further following the August 12 crop forecast, which showed declines from July production estimates for feedgrains, soybeans, and wheat. The result was another large increase in reported export sales commitments.

Troubled by the prospect of imminent export licensing or other form of controls, both exporters and importers were probably making and reporting as large a volume of export sales as possible. They were remembering, no doubt, the experiences of a year earlier when limitations had been placed on exports of soybeans and related products, with licensing based on percentages of sales outstanding when controls were imposed.

By the end of August, the outstanding sales commitments reported for wheat, feedgrains, soybeans, and meal were up a whopping 134 percent over the July 28 level.

Reported export sales commitments for these commodities continued to swell through the first weeks of September. It became clear that more timely information was needed to enable closer monitoring of export sales. A first addition was an "early warning" system in the form of mandatory daily reporting of export sales of grains, soybeans, and soybean meal totaling 100,000 metric tons or more in any one day to any one destination, or accumulating to 200,000 metric tons or more in any one week. Still, as September drew to an end, reports of export sales commitments moved a notch higher.

The reporting of large wheat and corn sales to the USSR under the daily reporting system during the first week of October demonstrated the importance of this "early warning" and eventually led to reductions in the size of these transactions—the only major reductions in existing contracts resulting from USDA's monitoring activities.

These large sales also demonstrated the need for ever closer monitoring of export sales to guard against the surprise of large, unexpected purchases while at the same time avoiding the imposition of mandatory export controls. Thus, as an alternative to either no control or total control of export sales, the Department announced its voluntary prior approval system on October 7. The system was generally greeted as the lesser of two evils.

In announcing the new system, the Department stated its dual objective

This is the second in a series of articles on USDA's export monitoring system.

of assuring ample supplies for U.S. consumers and meeting, as fully as possible, the requirements of U.S. customers abroad. The Department also pledged to keep the information supplied by exporters in strict confidence and to make its decisions in the shortest possible time. Use of the approval system permitted the Department to assess specific export sales transactions in the light of availability and the extent to which the proposed destination country's requirements for the commodity had been met. Import patterns in recent years were also considered.

At time of the program's inception. exporters were asked to obtain USDA approval *prior* to making their export sales. Commodities covered included wheat, corn, grain sorghums, soybeans, and soybean meal. The daily reporting system (in effect since September 12) remained in operation. Subsequent revisions (October 11 and 21 and November 21) added barley and oats to the commodities covered; eliminated the "hunting license" feature of prior approval (which had permitted exporters to obtain approval on prospective sales) by requesting that exporters make only firm sales "subject to USDA approval"; and combined the daily reporting system with the approval system.

Through October and the early weeks of November, reported export sales commitments for the grains, soybeans, and meal continued to rise slowly, reaching their peak in the week ending November 10. By early December, commitments began to move downward, dropping more than 6 percent in 1 month. As January came to a close, export commitments had taken a steeper downturn, dropping another 17 percent from the level of early December.

Recognizing an easing in the wheat and soybean situation by late January, the Department revised its daily reporting and voluntary approval systems by doubling the quantities reportable or on which USDA approval should be sought. The applicable quantities for wheat, soybeans, and soybean meal were thus raised to 100,000 metric tons or more per day or 200,000 metric tons or more per week.

The quantities applicable for feedgrains remained at 50,000 metric tons daily or 100,000 tons weekly.

In announcing these revisions, the Department indicated its belief that the voluntary approval system had helped safeguard against unusually large export sales during a period of tight supplies while having a minimal effect on the volume of commodities actually exported. It restated its commitment to a free export trade without restrictions when commodity supplies became more plentiful. Although the feedgrain supply situation also had eased somewhat, quantity revisions for this grain were deferred pending additional information on Southern Hemisphere production of grains and oilseeds.

Through February and early March, reported sales commitments continued to drop steadily.

During this period, the Department received considerable correspondence from farmers, farm organizations, and Congressional representatives. Most urged immediate termination of all export monitoring activities including the voluntary approval system, although a few expressed concern about whether existing export monitoring activities were sufficient.

By the week ending March 2, the total outstanding export sales balances for these commodities had dropped another 16 percent and were 35 percent below the November 10 peak. On March 6, the Department terminated the voluntary approval system—announcing that its need had been nullified by adjustments in grain and protein meal usage in domestic livestock feeding and by impending grain and soybean harvests in the Southern Hemisphere.

Daily reporting remains in effect for large sales of grain, soybeans, and meal. Combined with weekly reporting of all sales, it provides timely information to safeguard U.S. supplies of grains and soybeans.

During the 6 months the voluntary approval system was in effect, USDA approved requests covering more than 14 million metric tons (about 525 million bu) of wheat, feedgrains, soybeans, and meal for export to various destinations. Proposals to sell commodities totaling approximately 6 million tons were not approved, most of these being withdrawn prior to an FAS decision. Action on most requests for approval was immediate, or within a few hours. In some cases, involving unusually large quantities or sensitive countries of destination, action required more time.

Looking back now, it is apparent that the easing in the supply demand situation was the result of a number of economic factors unrelated to the voluntary approval system. Worldwide recession, balance of payments problems in many importing countries, consumer spending cutbacks in response to high market prices, reductions in grain and feed use in the United States and elsewhere all combined to bring about market adjustments in supply and demand.

However, last fall's tight supplies of grains, soybeans, and meal and strong pressures from Congressional and consumer interests dictated consideration of all the alternatives.

The Government opted for a compromise between the harsh mandatory controls sought by some members of Congress and consumer interests and a completely unrestricted export trade.

Through the approval system, the Department was promptly alerted to large purchases and could initiate discussions with foreign buyers to develop mutually advantageous plans for meeting their important requirements. Some of these discussions resulted in spacing the buyers' purchases to minimize the pressure of large sales on available supplies. All of the discussions stressed the dependability of the United States as a supplier to the world market.

As far as actual trade is concerned, the system did little to actually interfere with agricultural exports. As evidenced by export statistics, the system could hardly be considered an embargo of exports. It did not affect normal export trade in cargo quantities.

While there is no real evidence to support it, there is a theory that some export sales may have been lost as foreign buyers shifted their purchases to avoid the approval process. This seems unlikely since during this period there was no other place buyers could go to obtain supplies without government foreknowledge and approval.

It is generally conceded, however, that the voluntary approval system did have a psychological impact. The United States has stood alone as the only major exporter permiting importing countries free access to its supplies of agricultural commodities. Even a small step away from this principle was sufficient to cause concern among foreign buyers.

Netherlands Imports More U.S. Variety Meat in 1974

A TYPICAL DUTCHMAN might have a lunch that includes a liver sandwich, a late-afternoon snack of beef pâté, and a dinner of boiled beef tongue. Chances are good that a large part of this variety meat came from the United States.

In fact, 1974 imports of U.S. beef, pork, and horse variety meat by the Netherlands—at nearly 11,400 tons—amounted to 62 percent of total imports of 18,500 tons. (All tons are metric.) In 1973, the United States captured a 47-percent market share, with imports of nearly 8,100 tons. In 1970, 1971, and 1972, the U.S. market share was 42, 62, and 51 percent, respectively.

In addition to the United States, other important traditional suppliers to the Netherlands are the other European Community countries, Brazil, and Argentina. Total 1974 Dutch imports of pork, beef, and horse variety meat from these suppliers, in tons (with 1973 totals in parentheses), were: The European Community, 1,788 (1,120); Brazil, 1,089 (1,978); and Argentina, 2,057 (3,326). Poland and Canada provided lesser amounts.

Some variety meat—such as selected beef livers, oxtails, and short-cut beef tongues—is used for direct human consumption as sandwich meat, in soups, and as pickled and canned products. Pork livers and tongues are used in the manufacture of sausages and pâté. Pork hearts are processed into luncheon meat and beef and horse hearts are usually sold for pet food.

Dutch production of variety meat is not sufficient to cover both domestic and export needs. As a consequence, a quantity equivalent to 25-30 percent of domestic production must be imported. In 1974, Dutch variety meat production was 70,000 tons and imports were 26 percent of this amount. The year before, output was 63,500 tons and total imports were equivalent to about 27 percent of production.

The Netherlands buys only high-quality variety meat since all such meat imported into the Netherlands has to meet strict sanitary and veterinary standards. Variety meat for pet foods must meet the same standards as those prescribed for human consumption.

As a supplier of pork variety meat to the Netherlands, the United States has a virtual monopoly. In 1972 and 1973, the Netherlands ranked as the fourth largest customer for U.S. pork variety meat after West Germany, France, and Mexico; and as third largest for beef variety meat after France and the United Kingdom.

Frozen pork liver is the most important U.S. variety meat sold in the Dutch market. It is used mostly as a raw material for liver sausage, of which annual Dutch production is around 15,000 tons. In 1974, 4,928 tons of pork livers were imported from all sources into the Netherlands. This was equivalent to about one-third of Dutch domestic liver output and represented a 75 percent increase over 1973 imports.

The only product competing with U.S. frozen livers is Dutch fresh pork livers. Usually the latter commands a better price because it is sold for direct consumption. However, if the price differential between U.S. frozen and Dutch fresh pork liver is around 11 U.S. cents per pound or less, some Dutch processors switch to fresh pork livers.

Pork liver prices were high in 1973 in line with generally strong world-wide meat prices. U.S. pork liver prices in the Netherlands depend largely on the strength of demand by the U.S. pet food industry and, to a lesser extent, on the number of U.S. hogs slaughtered.

Prices of Dutch fresh pork livers are strongly influenced by West German import demand, especially since importation of frozen U.S. pork livers into West Germany is no longer possible.

Dutch imports of frozen pork hearts increased tremendously in 1974. However, pork hearts are not listed separately in Dutch import statistics but are included in a category with pork tongues and lungs. In 1974, imports of this category increased to 3,679 tons, compared with only 2,009 tons in calendar 1973. The United States is the dominant supplier, with 88 percent of the market in calendar 1974.

Demand for pork hearts increased following the EC beef import ban. Generally, European beef is too fat for processing, and the pork heart is used as a replacement for South American lean processing beef.

Regulations covering technical requirements are rather strict. For example, the permissible amount of fat on a pork heart is 2 percent and the cap (that part at the top of the organ) must be trimmed.

Rotterdam c.i.f. prices for pork hearts have fluctuated widely lately. In the summer of 1974 they were $900 per ton; in September, $1,200 per ton; and in February 1975, $650 per ton.

The United States is also the major supplier of beef livers to the Netherlands, with 70 to 80 percent of the import market. This country is the only source of "selected beef livers," especially suitable for cooking. In great demand in the Netherlands, cooked liver is a favorite Dutch sandwich meat and is preferred by housewives and sandwich shop proprietors alike.

DUTCH IMPORTS of frozen beef tongues from the United States have declined in recent years as Dutch exports of canned beef tongues to the United Kingdom have fallen off. Although some canning is still being done in the Netherlands, most Dutch canneries have opened plants in the United Kingdom, mainly because U.K. import duties were lower at the time the operations were started (before U.K. entry into the European Community) and labor costs less than in the Netherlands.

Owing to higher Dutch labor costs, and perhaps other reasons, the United States is not able to compete with Argentina in the Dutch import market for oxtails. The demand is for a tail that is disjointed in the middle, with butt end cut off, defatted, and individually wrapped in plastic sheeting. Oxtails are sold fresh.

Dutch imports of variety meat for 1974 (with 1973 data in parentheses), by category and principal suppliers, in tons, were:

Pork hearts, tongues, and lungs. The United States, 3,243 (1,568); Argentina, 13 (11); Poland, 113 (272); total, 3,679 (2,009).

Pork livers. The United States, 4,768 (2,757); Argentina, 45 (51); Canada, 0 (262); total, 4,928 (3,345).

Other pork variety meat. The United

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Swiss Farm Policies

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production incentives designed to help Switzerland achieve near self-sufficiency are creating difficulties in marketing at home and abroad. Apparently, production controls in the form of price discounts for commercial milk delivered over the quota are not completely effective. A milk surplus of 55,000 tons is a major concern in a small country such as Switzerland.

Funds from the Dairy Account are used to compensate for milk sale losses on both the import and export markets. A small deduction (checkoff), made against the milk producers, provides most of the funds for the account. Other contributions come from Federal subsidies, taxes on consumer cream purchases, and duties on imported dairy products. In the event domestic retail prices are less than production costs and export sales are at prices less than world levels, funds from the Account are spent to make up the difference. In effect, the Swiss Government subsidizes both domestic and export sales of these dairy products.

Since retail losses on domestically produced butter are greater than on sales of other dairy products, it is Swiss policy to discourage butter production and favor the use of milk in fluid form and for making cheese. To strengthen this policy, farmers who produce milk for cheese factories receive a slightly higher price, and a Swiss butter supply agency (BUTYRA) was created to import foreign butter.

Because domestic cheese prices are considerably above world prices, Switzerland is a magnet for cheese imports from other suppliers. The quantity has grown to such alarming amounts that the Swiss Parliament recently granted authority to impose duties on cheese imports. The duty may be implemented this spring.

Another problem still to be solved is the size of the Swiss national milk herd. Despite subsidies for cow slaughtering programs, herd culling, and conversion to meat production, total dairy cattle numbers have increased during the past 4 years. Meanwhile, improved breeding, feeding, and management practices are resulting in higher per-cow-milk production averages. The national average of 8,118 pounds in 1974 compares with 7,282 pounds just 10 years earlier.

Higher guaranteed prices and strong producer subsidies have helped to tilt farmer planning in favor of greater meat production. But with limited land area to be planted to feedgrains, this creates its own set of problems. Last year, the country's grain acreage was split 50-50 between foodgrains and feedgrains. But the Government has decreed that further reductions in acreage of wheat and rye cannot be tolerated. Therefore, for 1975, profit incentives for feedgrains were decreased, while additional land for foodgrains will come out of meadows.

The possibility of supplementing farm income by the use of direct producer payments is under study at high Government levels. A payment system of this kind, already in use for mountain farmers, would, if adopted, become industry wide. It would assist in maintaining farm income at high levels, while removing pressures for still higher prices.

But such a switch in emphasis would have its own set of dilemmas. For one thing, it could be more expensive than the present system. There is also fear that it would tend to slow down production and create the need for structural adjustments. Nonetheless, the lure of food prices oriented to a less restricted market could bring about such a change.

However, the possibility of changes being made in Swiss trade policies is not promising. But, so long as restrictive import practices and numerous nontariff trade barriers are maintained, Switzerland will continue to be exposed to criticism from trading partners.

If Switzerland lifts its quotas and supplementary duty surcharges, many suppliers would benefit. In the case of the United States, exports of grain, oilseed meal, meat, and fresh fruits and vegetables—as well as other products—could be increased.

Australian Meat Prices

Continued from page 7

ing of the industry's resource base. A number of producers could be forced out of business, particularly if the situation continues for several months.

The 12 percent devaluation that became effective in September 1974 did little to improve the situation in the livestock industry. Sagging export prices and weak world demand have made it impossible for exporters to increase prices on exports of meat. And higher wages in the meat processing industry plus higher freight charges have wiped out what little gains resulted from devaluation.

The Australian Government has decided to provide a further $A20 million in low-interest loans for the ailing beef industry. This new fund matches the low-interest money that the individual states have also agreed to provide. The loans will be made available through the State Rural Reconstruction Authority on a dollar-for-dollar basis with the states.

This makes a total of $A40 million in low-interest loans available for carry-on financing to beef producers who, while viable under normal conditions, are unable to obtain finances through normal sources during the current slump in beef prices.

The loans are to be made to beef producers at not more than 4 percent interest with no capital repayment required during the first 12 months of the loan and no interest charged the first year.

This new federal money is in addition to the original $A20 million made available for carry-on loans through the Commonwealth Development Bank late in 1974. Some $A12 million of this money still remains in the bank, as beef producers have generally felt the interest rate of 11½ percent was too high and other requirements too rigid to make the money attractive. One requirement was that growers had to derive at least 85 percent of their income from beef to qualify. This eliminated any potential borrowers who needed carry-on financing.

U.S. Variety Meat Sales

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States, 62 (41); Poland, 27 (23); total, 160 (135).

Beef livers. The United States, 1,771 (1,764); Argentina, 64 (298); Brazil, 81 (232); total, 2,028 (2,483).

Frozen beef tongues. United States, 1,006 (1,328); total, 1,068 (1,417).

Other beef variety meat. The United States, 627 (86); Argentina, 1,947 (2,432); Brazil, 866 (1,257); Poland, 19.5 (250); total, 6,096 (5,187).

Based on report by JEROME M. KUHL,
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EC and Israel Sign Trade Agreement

Notwithstanding internal and external opposition, the European Community signed a trade accord with Israel on Sunday, May 11. The signing ceremony took place despite Italy's reluctance to permit Community imports of Israeli agricultural products and Arab warnings about the "political consequences" of the agreement. The agreement will come into force July 1, 1975.

The question of Israel's agricultural exports (including citrus) to the EC remains largely unresolved. Because of the Community's inability to present a unified front, Israeli Foreign Minister Yigal Allon may have returned from Brussels with a empty shopping bag. The Community intends to attach to the trade agreement, at a later date, a unilateral declaration stating that concessions on wine, potatoes, and processed fruits and vegetables—items that the Italians find particularly sensitive—will not take effect until the Community's negotiations with the Maghreb countries can be concluded.

Eventually, however, the tariff reductions presently granted to Israeli oranges will be increased from 40 to 60 percent for the six original EC members. An 80 percent reduction will be granted on these oranges by the United Kingdom, Denmark, and Ireland; this greater reduction may be extended to the original six members beginning in 1978.

Conversely, Israel will grant preferences for some EC agricultural items. This preferential treatment is in the form of tariff reductions staged over 14 years and confined to processed food items (mainly condiments and other food preparations) that do not compete with major U.S. agricultural exports to Israel.

Recent P.L. 480 Actions Include Cotton, Wheat, Flour, Rice

P.L. 480 activity in the May 21-June 2 period included new agreements with Indonesia for cotton, and with Tanzania for rice. Amendments to previous agreements were signed with Chile and Pakistan for wheat/wheat flour, and with Korea for rice. Total purchase authorizations for the 2-week period provided for an additional 115,000 metric tons of wheat, 20,000 tons of rice, and 5,200 tons of blended foods.

Indonesia's new Title I agreement was signed May 30, for 195,000 bales of cotton, valued at $40.9 million.

The new Title I agreement with Tanzania was signed May 23, and provides for 20,000 tons of rice, valued at $8.04 million. A purchase authorization was issued for the full amount of rice, with a market value of $7 million.

Chile's amendment to its October 25, 1974, agreement was signed May 22 and provided for an additional 50,000 tons of wheat/wheat flour, valued at $6.1 million. A purchase authorization was issued for the full amount and value of the wheat.

The amendment to Pakistan's November 23, 1974, agreement was signed May 27, and added 65,000 tons of wheat/wheat flour, valued at $8.5 million to the original agreement. A purchase authorization was issued for the full amount of wheat, with a market value of $8.3 million.

Korea's April 12, 1973, agreement was amended May 27 to provide for an additional 35,000 tons of rice, valued at $12 million.

A purchase authorization for 5,200 tons of blended foods was issued to Jamaica. The blended foods, valued at $1.5 million, include wheat, soy blend, corn-soy blend, soy-fortified bread flour, soy-fortified bulgur, and soy-fortified corn meal.

Agreements for wheat and flour in the P.L. 480 program thus far in fiscal 1975 provide for 3,112,500 tons, valued at $524.1 million. Purchase authorizations have been issued for 3,011,500 tons of wheat and flour, valued at $491.4 million.

Agreements for rice to date provide for 745,300 tons, valued at $302 million, and authorizations total 704,300 tons, valued at $284.9 million.

Agreements for cotton to date provide for 254,000 bales, valued at $53.9 million. Of that amount, however, 59,000 bales, with a value of $13 million, was programmed for Vietnam and will not now be shipped.

Korean Feedgrain Use Up But Imports From U.S. Down

South Korea's use of feedgrains in 1974-75 is expected to show an increase of about 22 percent, but a 14 percent decline in imports of U.S. feedgrains is currently indicated. Total barley imports are estimated at 483,000 tons compared with 367,000 tons in 1973-74, but imports of U.S. barley will decline.

Korea's imports of barley from Australia have increased from 18,000 tons in 1973-74 to an estimated 213,000 tons this year. A small increase in imports of U.S. corn is anticipated, but the bulk of an approximate 25 percent increase in total corn imports is expected to come from Thailand.

Soviet Grain Crop Estimate Below Earlier Projections

Soviet grain crop prospects for the 1975-76 season are currently estimated at 200 million tons, down from the earlier projection of 210 million tons. Soviet wheat production, included in the estimate, is still expected to total 95 million tons. While larger than the 1974 crop, a 200-million-ton grain harvest would be less than both planned production and estimated domestic utilization requirements, which could lead to increased Soviet grain imports in 1975-76.

Soviet grain area is estimated at 131 million hectares, almost 4 million larger than in 1974. However, yields may be almost a tenth below trend (based upon 1955-73) due to hot, dry weather. The regions most affected by limited soil moisture supplies are important spring grain growing areas, including the Volga Region, the southern Urals, and the western part of Northern Kazakhstan.

The 200-million-ton estimate assumes average weather conditions during the remainder of the growing season. However, somewhat-below-average precipitation has been forecast for the main spring grain areas for June, and this could further reduce final grain output. Since spring grains—which make up two-thirds of total USSR production—are still in an early stage of development, the current estimate should be considered tentative.

Although a harvest of 200 million tons would be almost 5 million tons larger than the 1974 crop, it would be about 15 million tons less than the 215.7 million tons planned for 1975, and about 10 million tons less than estimated Soviet domestic utilization requirements for 1975-76. In the event of a 200-million-ton harvest, Soviet net imports are likely to be boosted above previously projected levels. A possibility is that imports would rise from the currently projected level of 7 million tons (2 million net) to around 10 million, with the remainder of the shortfall being covered by adjustments in domestic feed use, stocks, and exports.

West European Feedgrain Usage To Equal 1973-74's

The amount of grain fed to West European livestock and poultry this year will be virtually the same as in 1973-74, according to latest field reports. As of mid-May, this was estimated at 95.3 million metric tons; in 1973-74, feed usage totaled 95.5 million tons.

Within Western Europe, the European Community feeding industry is expected to use only about 69.2 million tons of grain this year, down from 70.8 million in 1973-74. Increased feeding in other West European countries, by about 1.5 million tons, tends to offset the decline in the Community. It is estimated that Spain will raise its feed use to over 11.4 million tons—an increase of over 900,000 tons—this year.

Several months ago, it appeared that grain feeding in Western Europe this year would total 96.2 million tons, almost 1 million above the current estimate. The main reason for the drop is the decline of 700,000 tons in anticipated EC usage, from 69.9 million to 69.2 million tons.

Turkey Expects Wheat Output Jump

Weather conditions in Turkey have been very favorable for wheat and other cereals this year, and current indications are that wheat production will be about 20-25 percent above the 8.3 million tons harvested in 1974. Turkey is expected to import about 500,000 tons of wheat in 1975-76 compared with an estimated 925,000 tons in 1974-75.

Philippine Consumption of Wheat Down, Feedgrain Usage Up in 1974-75

Consumption of wheat and wheat flour in the Philippines in 1974-75 is estimated at 553,000 metric tons or about 2 percent below the 1973-74 level. Although imports are up by about 7 percent, the decline in consumption is attributed to the high price of flour, reflecting high world prices for wheat. In contrast, consumption of feedgrains—mainly corn—has been trending upward, with 1974-75 consumptions estimated at almost 2.5 million tons, up 7 percent over 1973-74's.

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	June 10	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-13.5	5.40	−4	5.15
USSR SKS-14	(1)	(1)	(1)
French Milling [2]	3.37	0	(1)
U.S. No. 2 Dark Northern Spring: 14 percent	4.40	−9	4.95
U.S. No. 2 Hard Winter: 13.5 percent	3.80	−1	4.65
No. 3 Hard Amber Durum	6.55	−15	6.98
Argentine	(1)	(1)	(1)
U.S. No. 2 Soft Red Winter	3.50	+10	(1)
Feedgrains:			
U.S. No. 3 Yellow corn	3.00	−2	3.34
French Maize [2]	3.13	0	(1)
Argentine Plate corn	3.80	+2	3.61
U.S. No. 2 sorghum	2.70	−17	2.95
Argentine-Granifero sorghum	(1)	(1)	(1)
U.S. No. 3 Feed barley	2.07	0	2.82
Soybeans:			
U.S. No. 2 Yellow	5.47	−12	6.16
EC import levies:			
Wheat	2.05	+19	.10
Corn	1.11	−10	.05
Sorghum	1.57	+5	.56

[1] Not quoted. [2] Basis c.i.f. west coast, England.
NOTE: Price basis 30- to 60-day delivery.

Thailand Lowers Premium For Rice Exports

In an attempt to stimulate rice exports, Thailand has reduced export premiums by about $20 per metric ton for all types and grades of rice, except parboiled rice, which was lowered by about $30 per ton. Thai rice prices have been declining because of new arrivals from the harvest of the second crop. Lower export premiums will permit rice mills to offer farmers a higher price for paddy rice. Exporters, meanwhile, should be able to derive higher returns from sales on the world market as a result of the reduction in the rice export premium.

Outlook Improves for Moroccan Grain, But Expected Output Still Down

Favorable weather during the past 2 months has improved the outlook for production of winter grains in Morocco. However, production of bread wheat, Durum, and barley is expected to be only about 30 percent of normal. Wheat production, including Durum, is currently estimated at 580,000 metric tons compared with 1.9 million tons in 1974-75. Imports of 2 million tons of bread wheat are projected for 1975-76—double the 1974-75 level—to compensate for the falloff in domestic production.

World Cotton Demand, Consumption Show Signs of Recovery

A modest and spotty improvement in foreign textile demand may foreshadow a longer term recovery from the severe worldwide textile depression, barring a disruption in world economic recovery. Far Eastern countries, first to feel the pinch of recession, are among the first to report improved textile demand. Relatively new textile exporters such as Greece, Brazil, and Pakistan have also reported an upturn, but activity in Western Europe is still subdued.

The outlook for foreign cotton consumption in 1975-76 is for a moderate increase, perhaps on the order of 2 million bales, stimulated by a general broadening of textile activity now expected late in 1975. Raw cotton imports in foreign countries could rise even more, responding to increased demand from industries that have been drawing down textile and raw cotton stocks.

Note: In the June 9 issue it was erroneously reported that 1975-76 world cotton consumption was expected to decline.

World Cotton Prices Gain Moderately After Long Decline

World cotton prices began to rise moderately in early 1975, reversing a strong 14-month decline. The recent upturn follows the largest fluctuations in cotton prices this century. After tripling from September 1972 through December 1973, world prices reached a record 90 cents per pound for medium staple qualities before turning down sharply in January 1974 at the onset of the world textile recession.

By February this year, sharply contrasting demand for all fibers, including raw cotton, and excess world cotton supplies had pushed prices down 40 percent from earlier highs. The magnitude of the price swings reflected the 1972-74 boom-decline occurring simultaneously in Western industrial countries, rather than normal cotton supply-demand factors.

The current upturn in prices is attributed to supply factors that include a current withholding from the market of large foreign cotton stocks and expectations of a smaller world cotton crop next season. The modest and still scattered improvement in textile demand just underway in Far Eastern and some other cotton producing countries is not yet a significant bullish factor. Textile demand is not expected to broaden generally until later in 1975.

By mid-May European c.i.f. quotations for medium staple strict middling (SM) 1-1/16" descriptions had risen about 8 cents to average around 55 cents per pound, while Osaka prices firmed 11 cents to average around 53 cents per pound. Subsequently, market strength softened.

U.S. Raw Cotton Exports Remained Low in April

The United States raw cotton exports continued at a low level in April, totaling 371,000 running bales. Exports to the Far East reached their highest monthly level this season but shipments to most other destinations declined. The cumulative August-April total of 2.6 million bales remaied 38 percent below shipments in the same period a year earlier.

Continuing moderate new sales and satisfactory settlement of contract problems in South Korea, Taiwan, and the Philippines prompted a modest 200,000-bale upward revision in the 1974-75 U.S. cotton export forecast, to 3.5 million running bales.

April shipments to Europe were the lowest in 6 months and held cumulative August-April exports to 568,000 bales, down 5 percent from the same period last season. Cumulative August-April exports to the Far East dropped 1.5 million bales below the same period last season to 1.8 million. Current season shipments through April to Africa and the Middle East rose 20 percent to 83,000 bales, while those to Western Hemisphere destinations, almost entirely Canada, declined 33 percent to 154,000 bales.

Pakistan Halts Cotton Offerings

Pakistan has stopped offering cotton on the world market. Aggressive sales efforts and attractive prices have cleared abnormally high stocks despite weak demand.

During the boom in demand for cotton that occurred in 1973 and early 1974, Pakistan held back on exporting raw cotton in order to guarantee supplies for the domestic industry. However, demand for Pakastani textile products fell drastically during the latter half of 1974 so that the accumulated cotton stocks, which had reached 1.3 million bales by August 1, 1974, far surpassed the needs of the internal market.

The Government, acting through the Cotton Export Corporation (CEC), cut prices in order to move the surplus. Reduced cotton export taxes lowered prices some. Even so, CEC is thought to have accrued losses. By April 1975, the CEC, with the help of private exporters, had sold virtually all the surplus stocks.

Pakistan is one of the major cotton producing countries which, during recent years, have made strong efforts to expand exports of cotton in the form of textiles and yarn. Exports of these products doubled from 1964-66 to 1967-69 and nearly doubled again from 1967-69 to 1970-72. By 1973-74, Pakistan exported the equivalent of about one-third of its 3-million-bale cotton crop in the form of manufactured cotton products. About 20 percent of total production was exported in the form of raw cotton during the 5 crop years 1969-73.

Soviet Butter Output Slips

Soviet butter production in the first quarter of 1975 has been reported to be 11 percent below the same period last year. Adverse weather prevented adequate feed stockpiling, resulting in lower milk yields and deliveries.

Hen Quotas To Limit Australian Egg Exports

Australia has revamped its economic stabilization program for egg producers. The new system is based on individual and state quotas scaled to the national quota, which called for 12,935,000 layers for July 1, 1975. The quotas were assigned largely on a historical basis but with allowance for newcomers to the industry. Considerable dissatisfaction and protest have accompanied the assignment of quotas.

The previous program worked through domestic prices

fixed by State Egg Boards. The surplus was exported by the National Board—generally at a loss partially defrayed by a hen-levy paid by producers.

Limitation of Australia's laying flock to the 1975 quota level—which in some areas required cuts as deep as 18 percent—will reduce egg production to the requirements of the home market, and thus probably remove Australia from the export market. In 1973-74, Australia exported the equivalent of 30 million dozen eggs, largely in processed form. This was over 10 percent of its total egg production. Japan was the principal customer for processed eggs, the Mideast was the principal destination for shell eggs.

Spanish Broiler Supply Below Demand

As a result of the 1974 flock reduction and Government subsidized exports, Spain's current broiler supply is below the high seasonal demand. Domestic retail prices in most of the officially designated market points are well above the market intervention price. To alleviate the problem, the Spanish Government, in early May, authorized the importation of up to 2,000 metric tons of frozen broilers. Arrangements have already been made for the importation of 500 tons from the United States and another 500 tons from Yugoslavia.

EC Reintroduces Broiler Export Subsidies

The European Community Commission has reintroduced an export subsidy for broilers. The new subsidy, which took effect on June 1. amounts to 5 U.A. per 100 kilograms (3-3-½ cents per lb, depending on country of origin). It will apply on exports to the following destinations: European third countries (including the Canary Islands), Jordan, third countries on the Mediterranean or on the Persian Gulf, third countries of the Arabian Peninsula. and Cuba. There is no subsidy on exports to other destinations.

Canada Fills U.S. Beef and Veal Quota

On May 13, Canada filled its quota of beef and veal exports to the United States—3 months before the end of the quota year, which ends August 12, 1975. Canada's quota of live cattle exports had already been filled on March 27, 1975.

Israel and Argentina Sign Long-Term Beef Pact

Israel recently signed an agreement to purchase boneless beef from Argentina over the next 5 years. Although no quantities were specified, the agreement is reported to be a $100-million contract. Israel has purchased small quantities of Argentine beef in the past.

U.K. Buys Most Argentine Beef in 1974

The United Kingdom was the largest purchaser of Argentine beef last year. The Argentine Meat Board reported that Britain imported $90.1 million worth of Argentine beef in 1974. The United States made second largest purchases. totaling $86.4 million, followed by West Germany, at $53.9 million.

April Imports of Meats Subject to Import Law

U.S. imports of meats subject to the Meat Import Law were 86 million pounds in April, 6 percent below those for the same month in 1974. Reduced entries from all countries except Australia, New Zealand, and the Dominican Republic accounted for the decline.

The decline in entries during April runs counter to the uptrend seen so far this year. Cumulative imports for the first 4 months of 1975 total 425 million pounds, 7 percent above January-April 1974.

Cigarette Prices Rise Again In the United Kingdom

United Kingdom tobacco manufacturer Gallaher's has followed Imperial's lead in raising retail prices. Rothman-Carerras is expected to follow suit shortly in this third round of price increases since January.

Manufacturers raised prices by ½ to 1 pence (2.4 U.S. cents) per pack in February to cover rising production costs. Then April's national budget included a tobacco import duty increase of $4.92 per pound. When passed through to consumers this caused retail prices to rise 7 to 10 pence (16 to 24 U.S. cents) per pack of 20 cigarettes, depending on brand and tobacco content.

The latest retail price increase of 1 pence per pack, announced in mid-May, is in addition to the revenue tax increase of 7 to 10 pence per pack in April, and raises the price of king-sized filter brands to 46 pence (US$1.10) per pack. In explaining the latest price hike, Imperial cited a general rise in production costs, and interest expenses on funds borrowed to pay the higher duty on leaf. These factors probably apply to Gallaher's and Rothman-Carerras as well.

These successive price increases amount to about a 25 percent rise. Although the demand for cigarettes is relatively insensitive to price changes, consumption is likely to decline somewhat, as it did following 1974's sharp price rises caused by tax increases.

Among other major cigarette consuming nations, Japan and France are expected to raise retail prices in the near future, reflecting rising leaf prices and general inflation in production costs.

Brazil Harvesting Bumper Cocoa Crop

Brazil's 1974-75 October-September cocoa bean crop is now expected to exceed the record 1973-74 harvest of 245,500 metric tons. The 1974-75 Bahia main crop outturned at 1,613,452 60-kilo bags (96,807 tons), down from the 1973-74 main crop of 2,376,457 bags (142,587 tons).

Reflecting exceptionally favorable growing conditions, however, the 1975 Bahia temporao crop is now forecast at 2.3 million bags (138,000 tons), up 52 percent over the 1974 temporao harvest of 1,514,763 bags (90,886 tons). Production from other areas in Brazil usually amounts to about 200,000 bags (12,000 tons).

West German Hop Output Declines

The 1974 hop harvest estimate for West Germany has been revised upward by 3 percent to 33,566 metric tons. But this still represents a 13 percent decrease from the record 1973 crop of 38,555 tons. Since area under hop production remained unchanged from the year before, the decrease in output is attributed to unfavorable weather.

West Germany's hops and hop products exports for 1973-74 totaled 23,995 tons, 15 percent above the year before. Forecasts for 1974-75 indicate that exports will be down by about 8 percent to 21,999 tons. The United States is still the primary market.

In 1973-74 West Germany imported 4.627 tons of hops and hop products, a decline of 17 percent from the previous season. For 1974-75, imports are forecast at 4,536 tons.

West German hop producers do not carry over stocks, and under normal circumstances, neither do the hops processing plants. Yearend stocks in breweries are usually sufficient to carry them into the new crop.

The average price received by West German farmers during 1974 was 5 percent above 1973's. Because of the global surplus resulting from the record 1973 world hops harvest, the large price increases for other agricultural products did not affect the hops markets. West German grower organizations are considering addition of some type of escalation clause in the model contracts to help cope with rampant inflation.

U.K. Hop Output Declines

The revised United Kingdom hop production estimate for the 1974 crop is 10,206 metric tons, 5 percent below the 1973 harvest. The yield per acre was up slightly from 1973; however, total acreage planted for hops decreased by 3 percent. Bad weather during the harvesting period accounts for the drops in both yield and output.

A sharp rise in imports from West Germany followed the removal of the United Kingdom's import controls on hops from non-Commonwealth sources after British entry into the European Community. Total imports during 1973-74 amounted to 3.266 tons, almost double the amount imported the previous year. Hop imports for 1974-75 are currently forecast at 2.722 tons.

Hop exports during 1973-74 totaled 907 tons, slightly more than the export level of the prior year. Exports for the current season are forecast at 816 tons.

While both beer production and consumption rose slightly during the season, reports indicate a downward trend in both categories is imminent, reflecting a worsening of the already battered U.K. economy. The Government has instituted an "aid" program to improve existing hop gardens.

Australia Sets Citrus Export Plans

Australia has negotiated a sale of 4,790 metric tons of oranges to Fruit Distributors Limited. New Zealand's sole importer of citrus fruit, for shipment during the June-December 1975 period. Last year's negotiated sale was 4,575 tons. but only 2,215 tons were shipped, mainly because of the withdrawal from service of the refrigerated vessel operating between the two countries.

As an alternative, unrefrigerated roll-on, roll-off vessels were used, but were unsuccessful because of quality deterioration. More satisfactory arrangements, including the possible use of refrigerated containers on Australian vessels en route to the United States or the United Kingdom, are reportedly being worked out for the new shipping period.

Negotiations have also been completed for charter shipping service to Singapore and Malaysia, currently Australia's largest orange export market. Singapore/Malaysia took nearly 6,000 tons of oranges from Australia last season and prospects are for slightly larger quantities this year.

Orange exports to all destinations totaled 10,700 tons during the 1974-75 April-March marketing period, compared with nearly 22,000 tons in 1973-74. Reduced orange production in the current marketing year may keep total exports near the low level of the 1974-75 period.

Export prospects are reportedly bright for mandarins to Canada, Scandinavia, West Germany, and the United Kingdom. Mandarin exports, which totaled 3,300 tons last season, may increase as the result of expanding production in Queensland, where a large portion of production is geared for exports.

New EC Reference Prices Set For Lemon Imports

The European Community Commission Regulation No. 1311/75 of May 24, 1975, has fixed the reference prices for lemons imported into the EC during the marketing year beginning June 1975. The prices range from 8.7 to 16.1 percent higher than those applicable in 1974-75. When the entry price of imports falls below the reference price, the EC may impose a compensatory tax.

EC REFERENCE PRICES FOR LEMON IMPORTS

Month	1974-75 Ref. Price	1975-76 Ref. Price	Increase
	U.A./100 kg.[1]	*U.A./100 kg.*[1]	*Percent*
June 1975	25.9	28.16	8.7
July	27.3	30.83	12.9
August	27.7	31.92	15.2
September	24.6	28.55	16.1
October	21.7	25.18	16.0
November	19.7	22.85	16.0
December	20.2	23.42	15.9
January 1976	21.1	24.48	16.0
February	20.7	23.21	12.1
March	21.2	23.64	11.5
April	22.0	23.98	9.0
May	22.4	25.99	16.0

[1] One unit of account (U.A.) is currently equivalent to $1.384. The U.A. was equivalent to $1.296 in early June 1974.

South African Hops Recover

The 1975 hop crop in South Africa is currently estimated at 74 metric tons, about 47 percent above the drought-reduced 1974 crop. Better rainfall and more irrigation, plus a 99-acre increase in area helped to increase production.

Most of South Africa's hops are consumed domestically; therefore, its exports are small amounting to 3 tons in 1973-74. Exports for 1974-75 are expected to be 5 tons.

Imports, on the other hand, are a significant portion of South Africa's total supply. During 1973-74, hop and hop-products imports amounted to 878 tons, while the 1974-75 level is expected to total 758 tons.

Greek Tomatoes

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paid to tomato juice processors.

Market controls consist of minimum export prices based on current world market prices. Minimum export price for paste at the end of 1974 was $830 per metric ton, f.o.b. Greek port, in 5 kilo (11 lb) containers. Eighteen percent of the total 1974 paste output was allocated for the domestic market, compared with 12 percent in 1973.

Calendar 1975 exports are forecast at 85,000 metric tons, compared with estimated 1974 exports of 65,000 tons. Although the current world demand for tomato paste is down from the previous year's, the increased export forecast for all of 1975 is based on the low 1974 Portuguese paste output, increased U.S. buyer interest in the Greek product, and growing sales to Arabian countries.

The opening export price for tomato paste in 1974 was $890 per metric ton, f.o.b. Greek port, declining in early October to $830 per ton. The price slid further to $750 per ton in mid-January 1975. Indications are that paste prices will decline further in 1975 as world demand softens.

In contrast, the tomato paste export price opened at $350 per ton in 1973 and increased gradually to $900 per metric tons around July 1974.

Major export markets for Greek tomato paste in 1973 were, in order of importance, Italy, West Germany, the Netherlands, France, and the United Kingdom. These accounted for 75 percent of Greece's total paste exports of 59,500 metric tons.

In 1973, primary export markets for canned whole tomatoes were West Germany, the United States, Italy, and Kuwait, accounting for 95 percent of total exports of 2,344 tons.

Coffee Agreement

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and maintenance of the stock, the price levels at which the stock would be released into the market, and the mechanisms for releasing the stock. Prior to and during the June-July meetings, all ICO members will be analyzing the effect that an IGS might have on their role in the coffee market under different conditions.

Selectivity. Several ICO members feel that a new agreement should contain provisions for selectively adjusting quotas to account for changes in consumer tastes among the four major types of coffee. These are unwashed Arabicas (largely produced in Brazil), Colombian milds, other milds (primarily Central American), and Robustas (generally from Africa).

This feature poses severe technical problems, however, owing to the difficulty of constructing an accurate indicator price system. These problems must be resolved before the broader policy question of whether to include selectivity provisions in the agreement can be seriously considered.

Venezuelan Agriculture

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for a wider variety of pulses, were working to maintain import demand.

The MAC is seeking to expand black bean production by 46,800 tons and is presently assisting with the sowing of nearly 65,000 acres, most of which is under irrigation. But this will be attained only through the use of improved seed, increased irrigation, and other inputs. Also, increased black bean output will not offset consumer demand for other pulse types, many of which are not produced locally. As a result, some imports will be necessary even if output approaches self-sufficiency.

Since little more than 4 percent of Venezuela's land area is currently being utilized for agriculture, vast potential exists for agricultural expansion, as well as for improvement of yields on land now being cultivated. Of the six areas that President Perez's Administration has singled out for special assistance in development efforts, agriculture is the No. 1 priority.

But, despite these efforts and Venezuela's fortunate position of having large oil revenues, many changes in the rural infrastructure are needed before Venezuela can depend less on outside sources for much of its food needs. Moreover, increased incomes and a greater demand for high-quality foods will likely result in steady growth in imports of those products now being purchased from the United States, at least for the next few years.